

## **The complaint**

Mr L complains about the way First Central Underwriting Limited (First Central) settled a total loss claim he made under his motor insurance policy.

## **What happened**

Mr L was involved in a road traffic accident in September 2023. He contacted an Accident Management Company (AMC) who he believed were acting on behalf of First Central and they began dealing with the claim. This included providing Mr L with a replacement hire car and recovering his vehicle for inspection. The liability for the claim was later agreed on a 50/50 split basis and Mr L's vehicle was subsequently declared a 'write off' – as it wasn't economical to repair it.

Following some delays in communication from the AMC, Mr L got in touch with First Central directly in January 2024 to discuss the claim. But First Central said this was the first time they were aware of the claim and the AMC had not been working on their behalf. First Central agreed to accept the claim and later agreed liability on a 50/50 basis with the third-party insurer. First Central reached out to the AMC to determine the claim status and was told the AMC were no longer dealing, but they would need to pay Mr L the salvage value of his vehicle. And they were unable to recover the vehicle as it had been sold by the AMC at auction. First Central then valued the vehicle at £8,725 and deducted Mr L's excess of £600 and a salvage value of £3,053.75. They said they would pay Mr L the remainder of the sum of £5,071.25.

Mr L wasn't happy with the settlement amount and said First Central's salvage amount was much higher than the AMC's salvage value. Mr L raised a complaint about how they had handled his claim and said they wouldn't send a breakdown of how they had calculated the salvage amount. First Central considered the complaint and upheld it in part – they said the calculation used for the salvage value was correct, but they couldn't provide a breakdown as this was considered business sensitive information. But they did award £200 compensation for delays during the claim journey. Mr L remained unhappy with the response – so he brought the complaint to this Service.

An Investigator looked at what had happened and recommended that the complaint should be upheld. She said that she wasn't satisfied that Mr L was fully informed that he was not claiming under his insurance policy with First Central and he hadn't been provided with enough information on how to proceed with his claim – and if he had been - she thought it was likely Mr L would have continued through his policy.

The Investigator also thought First Central had unfairly deducted salvage for the vehicle when Mr L had not retained it and recommended that First Central pay Mr L the full pre-accident value of £8,725 minus the excess of £600 – a total of £3,035.73 plus 8% interest. She also thought First Central should pay an additional £300 compensation – a total of £500 - for distress and inconvenience caused.

Mr L agreed with the Investigator's recommendation but First Central did not. They said they didn't have any affiliation with any accident management companies or claim management

companies and so to hold them responsible for the information provided to Mr L was unfair. They also said they had fairly deducted salvage from Mr L's total loss payment in line with their normal approach and said Mr L would need to contact the AMC to retrieve the money owed to him, as this occurred prior to First Central's involvement in the claim. And they said that if Mr L was able to evidence the salvage value paid by the AMC, then they would reimburse the difference between how much they had deducted.

I issued a provisional decision of this complaint, and I said the following:

*"The crux of this complaint is largely down to the amount of salvage value First Central has attached to Mr L's total loss claim. So, I'll be focusing my decision on this part of the complaint to decide the amount (if any) that First Central can fairly deduct in respect of salvage. And this means I don't intend to make an extended finding on other aspects of the complaint; except to outline my basic approach to them.*

*The starting point is the policy's terms, which say First Central will pay a total loss claim by paying money and that:*

*"The insurer will not pay more than the market value of your car at the time of the loss or damage, less the total excesses and any unpaid premium."*

*In respect of the value of the vehicle prior to any deductions, I note this is agreed between the parties at £8,725 so I don't intend to make a finding on this other to say I am satisfied the available evidence supports this being a fair and reasonable valuation of Mr L's vehicle. I can also see that it is agreed a £600 excess applies to the claim.*

*However, given the issue with the AMC being involved in the claim and selling Mr L's vehicle – First Central treated this as a situation in which he had retained the salvage of the vehicle and therefore made a deduction for the amount they would have received. Mr L has said there is a difference between the salvage sums the AMC and First Central placed on the vehicle and thinks this is unfair.*

*Generally, this wouldn't be unusual to see a difference in salvage values between different companies, as oftentimes different companies and insurers will have different commercial arrangements with their salvage agents. And having looked at the evidence First Central provided about their salvage rates – I find these to be justified. What's more, we generally find this type of arrangement to deduct a salvage amount when a customer retains their vehicle to be fair – because the policy terms indemnify a customer against the loss and the vehicle then becomes the property of the insurer, who can in turn sell the vehicle themselves to make a recovery of the outlay they have made.*

*But it's important to note that the right to deduct a salvage amount is not based on a term contained in the policy that Mr L took out. And ultimately, as outlined above, the policy exists to provide indemnity to a policyholder for their loss. And so, while I acknowledge that the salvage First Central deducted may be the sum that is agreed between First Central and their salvage agents (which would ordinarily be fair to deduct if Mr L had retained the vehicle) here, I think it was unfair to deduct this sum from Mr L's settlement.*

*I say this because of the difference in salvage values placed on the vehicle by the AMC and First Central, respectively. The AMC placed a salvage value of £872.50 whereas First Central's was for £3,053.75. While I agree with First Central that Mr L*

would be able to recover the sum the AMC owe him, this would leave an outstanding amount of £2,181.25 which Mr L would be unable to recover.

As such, I think the fair and reasonable way to resolve this complaint would be for First Central to pay the total loss of Mr L's vehicle, minus his policy excess and the sum he can recover from the AMC of £872.50.

In respect of the involvement of the AMC at the start of the claim, I've considered the available evidence and testimony to determine whether First Central have done anything wrong here. And having considered this complaint carefully, I don't think I can fairly or reasonably hold them responsible for the referral to the AMC. And I don't think they are responsible for anything Mr L was told by the AMC, or delays in the claim process.

This means I can only consider First Central's actions from the point they became involved in the claim as well as how they handled things. Overall, I think they tried to get the claim back on track and faced difficulty in being able to speak to the salvage agents or other parties due to data protection restrictions and the fact that the vehicle had been sold.

First Central have already made an award of compensation to account for their claim handling – so I don't need to make a finding on whether they did anything wrong, except to outline that I think they could have attempted to resolve the claim sooner by not deducting the full salvage amount from the claim, given what I've said above. And I think this could have concluded the claim sooner, given Mr L's comments around the deductions being made. Instead, Mr L appears to have been waiting over a year for a conclusion to his claim.

Based on what has happened, First Central have already made a compensation award of £200. And I can see the Investigator recommended they increase this by a further £300. I've thought about whether First Central's offer is enough compensation to reflect the impact on Mr L of the shortcomings in their service. I've weighed up Mr L's testimony, the available evidence, and the duration of the incident. Overall, I consider £500 to be a fair and reasonable sum of compensation.

While I appreciate this is not what Mr L might hope for and that this will not fundamentally change matters - I consider this to be in line with the level of compensation appropriate to these issues and the impact caused. And I'm satisfied this produces a fair and reasonable outcome in the circumstances of this particular complaint."

I concluded that I was intending to uphold the complaint and to direct First Central to settle Mr L's total loss claim, minus his policy excess and a salvage sum of £872.50. I also said that First Central should pay 8% simple interest on this sum from the date the original settlement was offered, until the claim was concluded and pay £500 compensation for distress and inconvenience. I invited both parties to respond to my provisional findings.

First Central asked for confirmation on which amount I was asking them to pay 8% interest on. They said they didn't feel it would be fair for them to pay 8% interest on the full £8,725.00 Pre-Accident Valuation as they offered to pay an interim payment, but Mr L had refused this on 17 July 2024. Mr L also responded to my provisional findings and asked for clarification as to what sum interest would be awarded.

I provided my response to both parties via email and asked for further comments. Mr L agreed with my proposals to conclude the complaint. First Central didn't provide any further comments.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've taken on board both parties' comments around when interest should run and on what amount. First Central outlined that they would be deducting £3,053.75 for salvage on 1 April 2024 – which Mr L replied to on 9 April 2024 and disagreed with. I think that First Central should have outlined they would be raising a total of £7,252.50 if they had fairly deducted the salvage value. And based on the testimony and available evidence, I think it's more likely than not that Mr L would have agreed to the valuation offered at this time if First Central had deducted the fair amount of salvage I outlined above.

So, I think the fair and reasonable conclusion to this complaint would be for First Central to pay 8% simple interest of the sum they should have paid, from 11 April 2024, which is the date they confirmed the excess and salvage values prior to the complaint being raised.

I note that neither party disagreed with my findings on the other matters on this complaint, so I see no reason to depart from my provisional findings.

### **My final decision**

For the reasons I've given above, my final decision is that I uphold this complaint and I direct First Central Underwriting Limited to:

- Settle Mr L's total loss claim, minus his policy excess of £600 and a salvage sum of £872.50.
- First Central should pay 8% simple interest on the remaining sum of £7,252.50 from 11 April 2024, until the claim is concluded.
- Pay £500 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 June 2025.

Stephen Howard  
**Ombudsman**